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MACROECONOMIC POLICY QUESTIONS: EXTERNAL DEBT CRISIS AND DEVELOPMENT

Report of the Second Committee (Part V)*

Rapporteur: Mr. Rae Kwon CHUNG (Republic of Korea)

I. INTRODUCTION

1. The Second Committee held a substantive debate on agenda item 95 (see A/52/626, para. 2). Action on sub-item (d) was taken at the 20th and 50th meetings, on 28 October and 9 December 1997. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/52/SR.20 and 50).

II. CONSIDERATION OF DRAFT RESOLUTIONS A/C.2/52/L.8 AND L.58

2. At the 20th meeting, on 28 October, the representative of the United Republic of Tanzania, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries" (A/C.2/52/L.8), which read:

"The General Assembly,

"Recalling its resolutions 48/165 of 21 December 1993 and 50/92 of 20 December 1995, the relevant provisions of the report of the Ad Hoc Committee of the Whole of the General Assembly for the Mid-term Review of the Implementation of the United Nations New Agenda for the Development of

* The report of the Committee on this item will be issued in five parts, under the symbol A/52/626 and Add.1-4.

Africa in the 1990s,[1] and the relevant parts of the Agenda for Development,[2] as well as the results, as agreed, of all major United Nations conferences and summit meetings held since the beginning of the 1990s,

"Recalling also its resolution 51/164 of 16 December 1996 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries,

"Reaffirming the urgent need for effective, equitable, comprehensive, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, and to help them exit from the rescheduling process,

"Noting that stabilization and structural adjustment programmes have been undertaken by developing countries but at considerable social and human costs,

"Stressing the need for full, swift and flexible implementation of debt-relief initiatives, so as to assist developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high level of total debt stock and servicing burdens,

"Noting with concern the continuing debt and debt-servicing problems of indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating the onerous debt and debt-service burdens connected with the various types of debt of many developing countries, on the basis of an effective, equitable, comprehensive, development-oriented and durable approach and addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

"Noting that the developing countries that have continued, at great cost to themselves, to meet their international debt and debt-service obligations in a timely fashion have done so despite serious external and domestic financial constraints,

"Expressing concern that debt-relief measures taken so far have not yet fully provided effective, equitable, comprehensive, development-oriented and durable solutions to the outstanding debt and debt-servicing problems of a large number of developing countries, in particular the poorest and heavily indebted countries,

"Stressing the need for management of the process of globalization and liberalization in a manner that creates a supportive international economic

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[1] Official Records of the General Assembly, Fifty-first Session, Supplement No. 49 (A/51/49).

[2] General Assembly resolution 51/240, annex.

environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, and enhanced financial flows, particularly official development assistance, so as to ensure the sustained growth and development of developing countries,

"Stressing also the importance of finding a durable solution to the non-Paris Club debt which has become a serious challenge to many developing countries in their pursuit of sustainable economic development,

"1. Takes note of the report of the Secretary-General on the debt situation of the developing countries as at mid-1997;[3]

"2. Recognizes that effective, equitable, comprehensive, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries are essential for the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

"3. Notes that further progress, including swift and flexible implementation of innovative approaches and concrete measures, is essential for contributing to effective, equitable, comprehensive, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily indebted countries;

"4. Also notes the adverse impact of the volatility of short-term capital flows, exchange rates and international interest rates on the debt situation of developing countries;

"5. Stresses the need for the international community to promote a conducive external economic environment through, inter alia, improved market access, increased resource flows and improved access to technology for the developing countries;

"6. Also stresses the need for policy coherence among developed countries so as to avoid volatility of short-term capital flows, exchange rates and international interest rates which can have an adverse impact on the debt situation of developing countries;

"7. Further stresses that the evolving debt strategy must be accompanied by a favourable and supportive international economic environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and the net food-importing developing countries;[4]

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[3] A/52/290.

[4] See Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (GATT

"8. Invites bilateral and multilateral creditors and commercial banks to implement new initiatives including debt swaps, and debt and debt-service cancellation for debtor developing countries in response to the implementation of outcomes and action plans of major United Nations conferences;

"9. Recognizes that the Heavily Indebted Poor Countries Debt Initiative, endorsed by the Development Committee of the World Bank and the Interim Committee of the International Monetary Fund, was designed to enable heavily indebted poor countries to achieve a sustainable debt situation through coordinated action by all creditors on the basis of adjustment efforts by the debtor countries;

"10. Also recognizes that the implementation of the Initiative requires additional financial resources from both bilateral and multilateral creditors without affecting the support required for development activities of developing countries and invites bilateral donors to contribute to the Trust Fund for the implementation of the Initiative;

"11. Expresses its concern at the slow progress made to date in implementing the Initiative and in this regard calls for a timely finalization of the agreements to implement it in order to allow the countries to benefit from the Initiative;

"12. Stresses the urgent need for the developed countries to give the Initiative the support it both needs and deserves and to implement it flexibly;

"13. Also stresses the importance of implementing the Initiative's eligibility criteria flexibly, in a transparent manner, and with the full involvement of the debtor country, and further stresses the importance of continuously evaluating and actively monitoring the implications of the existing terms of the eligibility criteria in the implementation of the Initiative, so as to ensure sufficient coverage of heavily indebted poor countries;

"14. Calls for a reduction in the duration of the track record of sound economic policies required for the provision of debt relief under the Initiative, and in order to allow beneficiary countries to reach debt sustainability rapidly and avoid additional costs associated with delays in debt relief, requests that the period between the decision and completion points be shortened and that interim assistance be provided;

"15. Also calls for the provision of additional financial resources by both bilateral and multilateral creditors, including interim financing, without affecting the support required for development activities of developing countries, and encourages bilateral donors to contribute the necessary resources to the Heavily Indebted Poor Countries Trust Fund of the World Bank and to the Enhanced Structural Adjustment Facility Trust Fund of the International Monetary Fund for the implementation of the Initiative;

"16. Stresses the need for the Paris Club to swiftly implement the decision to go beyond the Naples terms to provide debt reduction, including debt stock cancellation for the poorest and most heavily indebted countries, and urges all other bilateral creditors to make comparable contributions in the context of coordinated efforts by all countries;

"17. Recognizes the efforts of indebted developing countries in regard to fulfilling their commitments on debt servicing despite the incurring of a high social cost;

"18. Notes with concern the continuing burden of debt and debt-service obligations of middle-income developing countries and, in this regard, encourages all creditors to continue their initiatives and efforts to address the debt problems of middle-income developing countries;

"19. Invites creditor countries, commercial banks and multilateral financial institutions to continue the initiatives and efforts to address the commercial debt problems of the least developed countries and the requests for continued mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help least developed countries reduce their commercial debt;

"20. Expresses concern at the lack of funding for continuous Enhanced Structural Adjustment Facility operations and invites the Executive Board of the International Monetary Fund to consider favourably a portion sale of its gold reserves in order to generate income that can be used for this purpose;

"21. Welcomes the recommendations made by the Executive Board of the World Bank to allocate an additional 250 million United States dollars from International Bank for Reconstruction and Development surplus to the Heavily Indebted Poor Countries Trust Fund so as to meet the Bank's share of debt relief, as well as the authorization by the Executive Board of the International Monetary Fund of a transfer of up to 180 million special drawing rights to finance special Enhanced Structural Adjustment Facility operations under the Heavily Indebted Poor Countries initiative;

"22. Expresses strong support for the continuation of Enhanced Structural Adjustment Facility operations and also expresses serious concern about the lack of consensus regarding its funding modalities in the interim period (2001-2004);

"23. Stresses the need for intensive efforts to secure adequate funding for the eleventh replenishment of the International Development Association and the need for an adequate twelfth replenishment of the Association to a level commensurate with the needs of the poorest countries;

"24. Reaffirms the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries

for the 1990s,[5] in particular the appropriate actions in favour of those countries concerning their official bilateral, commercial and multilateral debt;

"25. Stresses the need for, in addition to debt-relief measures that include debt and debt-service reduction, new financial flows to debtor developing countries from all sources, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, particularly to the least developed countries, in order to support the implementation of economic reforms, stabilization and structural adjustment programmes and the eradication of poverty by the developing countries so as to enable them to extricate themselves from the debt overhang and attract new investment and to assist them in achieving sustained economic growth and sustainable development;

"26. Calls upon the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take urgent measures and action for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development related to the question of external debt;

"27. Requests the Secretary-General to report to the General Assembly at its fifty-third session on the implementation of the present resolution."

3. At the 50th meeting, on 9 December, the Vice-Chairman of the Committee, Mr. Adel Abdellatif (Egypt), introduced a draft resolution entitled "Enhancing international cooperation towards a durable solution to the external debt problem of developing countries" (A/C.2/52/L.58), which was submitted on the basis of informal consultations held on draft resolution A/C.2/52/L.8. In introducing the draft resolution, he proposed that the brackets be deleted around the words "sustained economic growth and sustainable development" in the thirteenth preambular paragraph and operative paragraphs 2 and 20.

4. At the same meeting, at the request of the representative of the United States of America, the Committee voted on draft resolution A/C.2/52/L.58, which was adopted by a recorded vote of 150 to 1, with 1 abstention (see para. 7). The voting was as follows:[6]

In favour: Algeria, Andorra, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Cape Verde, Chile, China, Colombia, Congo,

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[5] Resolution 50/103, annex.

[6] The delegation of Slovenia subsequently indicated that, had it been present at the time of the voting, it would have voted in favour of the draft resolution.

Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Greece, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, Hungary, Iceland, India, Indonesia, Iran (Islamic Republic of), Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lesotho, Liberia, Libyan Arab Jamahiriya, Liechtenstein, Lithuania, Luxembourg, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mexico, Micronesia (Federated States of), Monaco, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Russian Federation, Rwanda, Saint Lucia, Samoa, San Marino, Saudi Arabia, Senegal, Sierra Leone, Singapore, Slovakia, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Syrian Arab Republic, Thailand, the former Yugoslav Republic of Macedonia, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe.

Against: United States of America.

Abstaining: Romania.[7]

5. Before the adoption of the draft resolution, statements were made by the representatives of the United States of America, the United Republic of Tanzania (on behalf of the States Members of the United Nations that are members of the Group of 77 and China) and China; after the draft resolution was adopted, statements were made by the representatives of Jamaica, Luxembourg (on behalf of the States Members of the United Nations that are members of the European Union), the Russian Federation, Nigeria and Australia (see A/C.2/52/SR.50).

6. In the light of the adoption of draft resolution A/C.2/52/L.58, draft resolution A/C.2/52/L.8 was withdrawn by its sponsors.

III. RECOMMENDATION OF THE SECOND COMMITTEE

7. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

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[7] The delegation of Romania subsequently indicated that it had intended to vote in favour of the draft resolution, but that its vote had been recorded as an abstention.

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 48/165 of 21 December 1993 and 50/92 of 20 December 1995, the relevant provisions of the report of the Ad Hoc Committee of the Whole of the General Assembly for the Mid-term Review of the Implementation of the United Nations New Agenda for the Development of Africa in the 1990s,[8] and the Agenda for Development,[9] as well as the results, as agreed, of all major United Nations conferences and summit meetings held since the beginning of the 1990s,

Recalling also its resolution 51/164 of 16 December 1996 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries,

Reaffirming the urgent need for effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, and to help them exit from the rescheduling process,

Noting that developing countries have undertaken stabilization and structural adjustment programmes that benefit those countries but also involve social costs,

Emphasizing the importance for debtor countries of continuing to pursue and intensify their efforts with respect to economic reform and stabilization and structural adjustment programmes to raise domestic savings and investments, of taking full advantage of market access opportunities where available, of reducing inflation and of improving economic efficiency, taking into account the need to address the social aspects of development, including the eradication of poverty as well as the vulnerability of the poorer strata of their populations,

Noting the improvement in the debt situation of a number of developing countries since the second half of the 1980s and the contribution that the evolving debt strategy has made to this improvement, noting with appreciation the debt-relief measures taken by creditor countries both within the framework of the Paris Club and through their cancellation and equivalent relief of bilateral official debt, and welcoming the even more favourable debt-relief measures taken by the Paris Club on the basis of the Naples terms of December 1994,

Welcoming the admission of the Russian Federation to the Paris Club,

Stressing the need for a full, swift implementation of those initiatives, which will further assist developing countries, in particular the poorest and

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[8] Official Records of the General Assembly, Fifty-first Session, Supplement No. 48 (A/51/48).

[9] Resolution 51/240, annex.

heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high level of total debt stock and servicing burdens,

Noting with concern the continuing debt and debt-servicing problems of indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating the onerous debt and debt-service burdens connected with the various types of debt of many developing countries, on the basis of an effective, equitable, development-oriented and durable approach and, where appropriate, addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

Noting that the developing countries that have continued, at great cost to themselves, to meet their international debt and debt-service obligations in a timely fashion have done so despite serious external and domestic financial constraints,

Expressing concern that despite the debt-relief measures taken so far, those measures have not yet fully provided effective, equitable, development-oriented and durable solutions to the outstanding debt and debt-servicing problems of a large number of developing countries, in particular the poorest and heavily indebted countries, which continue to face serious debt problems,

Noting the situation in some creditor countries with economies in transition in addressing the external debt and debt-servicing problems of developing countries,

Stressing the need for continuing global economic growth and the necessity for a continuing supportive international economic environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued need for resources for the sustained economic growth and sustainable development of the developing countries,

Stressing also the importance of finding durable solutions to the non-Paris Club bilateral debt, which has become a serious challenge to many developing countries,

1. Takes note of the report of the Secretary-General on the debt situation of the developing countries as at mid-1997;[10]

2. Recognizes that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development;

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[10] A/52/290.

3. Notes that further progress, including swift implementation of innovative approaches and concrete measures, is essential for contributing to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily indebted countries;

4. Also notes, while recognizing the benefits of liberalization of international capital flows, the potential adverse impact of the volatility of short-term capital flows, and exchange rates on interest rates and the debt situation of developing countries, and stresses the need for coherence in implementing policies in order to mitigate the impact of such volatility;

5. Stresses the importance for developing countries of continuing their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development so as to favour their exit from debt and debt-servicing problems, and also stresses the need for the international community to promote a conducive external economic environment through, inter alia, improved market access, stabilization of exchange rates, effective stewardship of international interest rates, increased resource flows, access to international financial markets, the flow of financial resources and improved access to technology for the developing countries;

6. Also stresses that the evolving debt strategy must be accompanied by a favourable and supportive international economic environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and the net food-importing developing countries;[11]

7. Further stresses the need for existing facilities to provide debt-relief measures through various debt conversion programmes, where possible, such as debt-equity swaps, debt-for-nature swaps, debt-for-child-development swaps, and other debt-for-development swaps, to be widely implemented so that the countries concerned may be assisted in their development efforts as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held at Copenhagen in March 1995;[12]

8. Welcomes the steps already taken to implement the Heavily Indebted Poor Countries Debt Initiative and in this regard calls for its timely finalization and implementation so as to enable eligible countries to benefit from the Initiative;

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[11] See Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994 (GATT secretariat publication, Sales No. GATT/1994-7).

[12] See Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995 (United Nations publication, Sales No. E.96.IV.8).

9. Recognizes that the implementation of the Initiative requires additional financial resources from both bilateral and multilateral creditors without affecting the support required for development activities of developing countries and in this regard expresses its appreciation for contributions made by some bilateral donors to the Heavily Indebted Poor Countries Trust Fund of the World Bank and the Enhanced Structural Adjustment Facility/Heavily Indebted Poor Countries Trust Fund of the International Monetary Fund, and urges other bilateral donors and invites other international financial institutions that have not yet finalized mechanisms for participation in the Initiative to do so as soon as possible;

10. Stresses the importance of implementing the Initiative's eligibility criteria flexibly, in a transparent manner, and with the full involvement of the debtor country, and also stresses the importance of continuously evaluating and actively monitoring the implications of the existing terms of the eligibility criteria in the implementation of the Initiative, so as to ensure sufficient coverage of heavily indebted poor countries;

11. Underlines the importance of the transparency and involvement of debtor countries in any review and analysis that is conducted during the adjustment period;

12. Welcomes the implementation since 1994 by the Paris Club of the Naples terms as well as the decision to go beyond the Naples terms to provide debt reduction for eligible countries, in particular the poorest and most heavily indebted countries, and invites all other bilateral, multilateral and commercial creditors to make an appropriate and consistent contribution to the common objective of debt sustainability;

13. Invites creditor countries, private banks and multilateral financial institutions, within their prerogatives, to continue the initiatives and efforts to address the commercial debt problems of the least developed countries and the requests for continued mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help eligible least developed countries reduce their commercial debt;

14. Recognizes the efforts of indebted developing countries in regard to fulfilling their commitments on debt servicing despite the high social cost incurred and, in this regard, encourages private creditors and, in particular, commercial banks to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries;

15. Stresses the urgent need to continue to provide social safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in debtor countries, in particular low-income groups;

16. Notes with concern the continuing burden of debt and debt-service obligations of middle-income developing countries, including in particular those in Africa, and encourages creditors, including multilateral financial institutions and commercial banks, to continue to support those countries in addressing these obligations effectively;

17. Expresses strong support for the continuation of Enhanced Structural Adjustment Facility operations and stresses the need to find consensus regarding its funding modalities in the interim period, 2001-2004, and in this regard invites the Executive Board of the International Monetary Fund to consider concrete measures in order to generate funds that can be used for this purpose;

18. Stresses the need for further efforts of all donors to secure adequate funding for the eleventh replenishment of the International Development Association in accordance with the agreed timetable and the need to start negotiations, at an appropriate time, for an adequate twelfth replenishment of the Association to a level commensurate with the needs of the poorest countries;

19. Reaffirms the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,[13] in particular the appropriate actions in favour of those countries concerning their official bilateral commercial and multilateral debt;

20. Stresses the need for new financial flows to debtor developing countries from all sources, in addition to debt-relief measures that include debt and debt-service reduction, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, particularly to the least developed countries, in order to support the implementation of economic reforms and stabilization and structural adjustment programmes by the developing countries that will enable them to extricate themselves from the debt overhang and attract new investment and to assist them in achieving sustained economic growth and sustainable development and the eradication of poverty;

21. Calls upon the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take appropriate measures and action for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development related to the question of external debt;

22. Requests the Secretary-General to report to the General Assembly at its fifty-third session on the implementation of the present resolution.

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[13] Resolution 50/103, annex.